

March 31, 2015

Finance Committee
United States Senate

**Re: Individual Income Tax; International Tax
American Overseas – Input to Senate Finance Committee**

Ladies and Gentlemen,

Thank you for your solicitation of input on how to address fundamental issues in our individual taxation system for U.S. citizens and residents. I write to you as a U.S. citizen who has resided in Switzerland since 2007.

There are two issues that are critical to me as an American residing overseas:

- repeal of FATCA (Foreign Account Tax Compliance Act) and
- ending citizen-based taxation and adopting residence-based taxation.

I would like to take this opportunity to highlight some concrete examples of how FATCA and citizen-based taxation negatively impact my life and how these policies treat Americans overseas completely different from their friends and family living stateside.

- I am double taxed on my retirement. The IRS does not recognize the mandatory 2nd pillar Swiss employer pension or the voluntary Swiss 3rd pillar individual retirement scheme (same as an IRA). I am taxed by the U.S. on both my Swiss employer pension (personal and employer contributions) and Swiss individual retirement account contributions today, and will pay taxes on them again in Switzerland upon distribution when I retire (in more than 25 years!).
- PFIC rules make it nearly impossible for me to plan for my retirement and make responsible investment decisions. When I lived in Virginia, my retirement was invested in mutual funds, including entirely foreign funds. If I were to invest in the same funds but through a local financial institution in Switzerland, the funds would be considered PFICs. A U.S. tax compliance specialist in Switzerland informed me that the reporting cost alone for an individual retirement account with a maximum contribution of about USD 7,000 per year would far exceed any gain I would ever realize, not to mention the annual taxes on any growth. I feel that these rules prevent me from responsibly saving for my future and providing for my family.
- I face imaginary capital gains risks on the sale of my house due to foreign exchange fluctuations. If I were to sell my house in Switzerland today for the exact same price that we purchased the house for six years ago, I would not owe capital gains taxes in Switzerland. However, I could nonetheless owe capital gains taxes in the U.S. on the sale of my Swiss house due to the fact the U.S. Dollar has fallen against the Swiss Franc during the last six years. This is simply absurd.
- I was denied financial services due to FATCA. I was given the choice to remove my name from joint accounts held with my non-U.S. citizen spouse or to have our accounts closed. The reason: I am an American and the bank does not want American clients because of FATCA reporting requirements.

- Reporting requirements for Americans overseas far exceed anything required stateside. When I lived in the U.S., I would complete my taxes on a single Saturday. It now takes me many weekends of preparation to complete my taxes. One example of how it takes longer is that I need to calculate the value of my local Swiss bank accounts in three different ways—maximum value based on end of year exchange rates for the FBAR form, and maximum and end of year values at average exchange rates to determine whether I need to file Form 8938. In order to find the maximum value, I spend many hours going through every single report I receive from the bank for each of my accounts for an entire year to determine each account's highest value and end of year balance.
- Reporting requirements impact those with no ties to the U.S. Imagine you reside in Minnesota with your Canadian spouse. Your spouse is required by the Canadian government to report all financial account information to the Canadian government regardless of where those accounts are located. This means that the private details of your joint accounts in Minneapolis (account numbers, maximum account values, etc.) must be reported to the authorities in Ottawa. I imagine this would be something that would make you angry and frustrated because you are an American with no ties to Canada. Now imagine how the foreign spouses of U.S. citizens feel.
- Potential fines for reporting mistakes could cost me my savings. If I miss the maximum value when reviewing all of my account statements for the year and report a lesser amount, the potential fines under FBAR could decimate my entire savings. Americans stateside are not required to complete invasive reporting requirements for accounts held where they live. Why should I be treated differently when I am simply using local banks where I reside?
- I am tax liable based on my status as a U.S. citizen; however, I am ineligible for social benefits in the U.S. The IRS has no issue taxing my income earned solely in Switzerland; however, I am ineligible for unemployment benefits, welfare, and Medicare because I live overseas. I strongly believe that as long as I reside overseas and have no U.S. source income I should not be taxed by the U.S. government (and likewise should not be eligible for any social benefits in America).
- The extraterritorial application of U.S. law harms American goodwill. Last year my non-U.S. citizen spouse visited a bank in Switzerland with the request to open an account in his name only. As part of the account opening process he was given numerous forms to complete in which he had to attest that he is neither a U.S. citizen nor does he meet the requirements for being taxed in the U.S. Could you imagine what the reaction of Americans would be if they went to their local Bank of America branch in Wichita, Kansas and were handed three different forms to sign attesting they are not Canadian nor are they taxable in Canada? Why would an American citizen opening a new checking account in Wichita need to sign forms attesting he is not a Canadian citizen nor is he liable for taxes in Canada? This would understandably cause anger and outrage in America and would rightly be viewed as extraterritorial interference of the Canadian government. This is exactly how the rest of the world views FATCA.

The above experiences highlight why I strongly believe that FATCA should be repealed in its entirety and that the U.S. needs to replace citizen-based taxation with residence-based taxation.

Sincerely,
Deirdre Weiss